

Message Text

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FOLLOWING TEL SENT ACTION SECSTATE INFO USDOC WASHDC, ROME,
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TAGS: ECON, EFIN, BEXP, IT

SUBJECT: FIAT PRESIDENT GIOVANNI AGNELLI MEETS WITH ITALIAN
PRIME MINISTER ANDREOTTI TO DISCUSS POSSIBLE PLANT CONSTRUCTION
AGREEMENT WITH ALGERIAN GOVERNMENT.

1. ACCORDING TO OFFICIAL FIAT SPOKESMAN WHO CONFIRMED RECENT
PRESS RELEASES, FIAT PRESIDENT GIOVANNI AGNELLI MET WITH
ITALIAN PRIME MINISTER ANDREOTTI TO DISCUSS POSSIBLE AGREEMENT
WITH ALGERIAN GOVERNMENT FOR CONSTRUCTION OF AN AUTOMOBILE
FACTORY IN ALGERIA. THE PROPOSED PROJECT WOULD BE TURN-KEY
INVOLVING FOUNDRY TO FINISHED PRODUCT AT AN ESTIMATED COST
OF 2,300 BILLION LIRE (2.7 BILLION DOLLARS). IN ADDITION,
FIAT WOULD BE EXPECTED TO SUPPLY 50 PERCENT OF PLANT EQUIPMENT
WHILE REMAINING EQUIPMENT NEEDS WOULD BE PROVIDED BY VARIOUS
OTHER COMPANIES. PROJECT IS EXPECTED TO BE COMPLETED WITHIN
SIX TO SEVEN YEARS. OFFICIAL SOURCE ALSO INDICATED THAT
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AGNELLI/ANDREOTTI MEETING WAS RESULT OF FIAT PRESIDENT'S
ATTEMPT TO OBTAIN GOVERNMENT APPROVAL OF PROPOSED AGREEMENT
AS WELL AS TO SEEK FINANCIAL ASSISTANCE FROM ITALIAN GOVERNMENT
FOR PROJECT OF SUCH MAGNITUDE. IT HAS ALSO BEEN NOTED THAT SEVERAL
OTHER FOREIGN COMPETITORS INCLUDING RENAULT, VOLKSWAGEN AND
JAPANESE CONCERNS ARE INTERESTED IN PROJECT, ALTHOUGH NO DECISION
ON PROJECT PARTNERS HAS BEEN MADE BY ALGERIAN GOVERNMENT.

2. SAME SOURCE ALSO INDICATED THAT FIAT PRESIDENT AGNELLI HAS DISCUSSED PROPOSED PROJECT WITH ITALIAN TREASURY MINISTER STAMMATI AND GOVERNOR OF BANK OF ITALY PAOLO BAFFI IN EFFORT TO SEEK THEIR APPROVAL SHOULD ALGERIAN GOVERNMENT SELECT FIAT AS ITS FINAL PARTNER IN AGREEMENT. AGNELLI ALSO REPORTED TO HAVE STATED TO JOURNALISTS CONCERNING ALGERIAN PROPOSAL THAT ITALIAN GOVERNMENT WOULD HAVE TO CHOOSE WHETHER ITS FUTURE COURSE IN TERMS OF ECONOMIC DEVELOPMENT MUST BE ONE OF PROMOTING ITALIAN EXPORTS OR DOMESTIC INVESTMENTS, AND FOR THIS REASON HE ALSO SUBMITTED PROPOSAL TO APPROPRIATE ITALIAN AUTHORITIES FOR THEIR APPROVAL. AGNELLI NOTED THAT SHOULD AGREEMENT BE REACHED BETWEEN TWO PARTIES, IT WOULD INEVITABLY ASSIST IN ITALIAN BALANCE OF PAYMENTS PROBLEMS AS WELL AS GENERATE INCREASED PRODUCTIVITY. THE FIAT PRESIDENT ALSO POINTED OUT THAT COMPANY'S INTEREST IN ALGERIAN GOVERNMENT BORE NO RELATIONSHIP TO FIAT'S RECENT AGREEMENT WITH THE LIBYAN GOVERNMENT.

3. IN HIS DISCUSSION WITH PRIME MINISTER ANDREOTTI, AGNELLI IS ALSO DESCRIBED AS STATING THAT RUMORS CONCERNING POSSIBLE FIAT INVESTMENTS IN CALABRIA WERE UNTRUE, ALTHOUGH FIAT DID HAVE A PROJECT IN THE VAL DI SANGRO (IN ABRUZZI REGION) FOR CONSTRUCTION OF SMALL VANS WITH DIESEL ENGINES MANUFACTURED IN FOGGIA. THE PLANT IS EXPECTED TO EMPLOY AROUND 1500 PEOPLE BY THE END OF 1978. MCKINLEY UNQUOTE CHRISTOPHER

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